

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2377 - HB 2688

February 27, 2020

SUMMARY OF BILL: Enacts the *Modernizing Medication Utilization Act*. Requires health plans, pharmacy benefits managers (PBM), and pharmacies, beginning January 1, 2021, to make available a patient's specific prescription cost and benefit information in real-time for usage in a healthcare provider's prescribing or electronic health record system at the point of prescribing and at the point of dispensing.

Requires electronic health record systems, by January 1, 2021, to display the patient-specific eligibility; formulary; benefit; cost; coverage; clinical coverage criteria and restrictions; therapeutically equivalent alternatives, as appropriate; and prior authorization or other utilization management requirements.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$476,300/FY20-21
\$352,500/FY21-22 and Subsequent Years**

Other Fiscal Impact – The proposed legislation could impact several contracts DMHSAS has with community providers and be in excess of the current federal funding level. Any additional payments or reimbursements would be in all state dollars; however, this increase cannot be reasonably determined. The Division of TennCare and the Division of Benefits Administration is currently working with providers to implement this type of system; however, the January 1, 2021 effective date of the legislation could result in an increase in expenditures to both Divisions to expedite the project.

Assumptions:

- The proposed legislation requires healthcare providers to provide information to the patient about the most therapeutically appropriate and lowest cost prescription medication available to the patient at the time of prescribing based on patient-specific benefit and cost information provided in real-time through a prescribing or electronic health record system
- The Department of Mental Health and Substance Abuse Services (DMHSAS) will have to update its electronic clinical records system in order to comply with the provisions of the proposed legislation at a one-time cost estimated to exceed \$300,000.
- The DMHSAS has four Regional Mental Health Institutes and the healthcare providers will be required to take additional time during discharging patients to find the most

therapeutically appropriate and lowest cost prescription medication available to the patient.

- The DMHSAS will need 7 additional positions to accommodate the requirements in the proposed legislation.
- The recurring increase in state expenditures associated with the additional positions is estimated to be \$352,503 (\$262,878 salaries + \$89,625 benefits) in FY21-22 and subsequent years.
- Due to the January 1, 2021 effective date, the increase in state expenditures is estimated to be \$176,252 ($\$352,503 \times 50.0\%$) in FY20-21.
- The increase in state expenditures is estimated to exceed \$476,252 (\$300,000 + \$176,252) in FY20-21.
- The Division of TennCare is working with TennCare's pharmacy benefit manager (PBM) and pharmacies across the state to implement a tool that will meet the provisions in the proposed legislation.
- The Division of Benefits Administration can accommodate the proposed legislation utilizing existing resources; therefore, any fiscal impact is estimated to be not significant.
- The Department of Health's (DOH) Electronic Public-Health Information (EPI) system does not have the capacity to accommodate the provisions of the proposed legislation; however, the DOH put in a budget request a proposal for a different electronic record system in the proposed FY20-21 budget.
- If the proposed legislation were to pass, the DOH can include the new provisions in the RFP; therefore, the estimated fiscal impact is not significant.
- Based on information provided by the Department of Commerce and Insurance, Insurance Division, the Division can monitor the PBMs utilizing existing resources; therefore, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE:

Other Commerce Impact – Due to multiple unknown factors, an exact impact to commerce cannot be reasonably determined.

Assumption:

- Due to multiple unknown factors, such as what systems healthcare providers, PBMs, and pharmacies are currently using and how many systems would have to be updated, an exact impact to commerce and jobs cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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